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MEMORANDUM

TO: Pam Barclay

FROM: Hal Cohen

SUBJECT: Draft Report of the Certificate of Need Task Force

DATE: October 25, 2005

Pam, thank you for the opportunity to serve on both the Task Force and your sub-committee. I am submitting my comments as requested.

1. CareFirst and Kaiser Permanente strongly support the recommendations regarding development of an automated CON application form, PDF files of CON application documents, and website access to CON filings. CareFirst believe this will help us in our efforts to represent our subscribers in the CON process.
2. CareFirst and Kaiser Permanente support the recommendations regarding streamlining the CON application itself, by removing many outdated and unnecessary criteria.
3. CareFirst and Kaiser Permanente support the recommendation regarding shell space as proposed and adopted. As I have noted, Kaiser Permanente frequently includes shell space in its major construction projects, which are financed with appropriate fiscal incentives.
4. CareFirst and Kaiser Permanente support the recommendation regarding procedural changes to the completeness process. Completeness letters need to focus on important matters that will influence the decision and should follow appropriate dialogue. Interested parties are included in this process.
5. CareFirst and Kaiser Permanente support the increase in the hospital capital review threshold to \$10,000,000 and the rapid Determination of Non-coverage when the "pledge" has been taken.
6. CareFirst and Kaiser Permanente agree with the principles for CON. We note that the principles do not address protection of current providers. We believe emphasis should be on the provision of accessible, affordable, quality care to consumers and less focus on protection of current providers.
7. CareFirst and Kaiser Permanente support the current language regarding the 140% rule and would like to have at least one representative on the recommended Task Force.

The following address proposed changes to the Draft Report as written.

Page 1: Rather than simply state that the Task Force was broadly representative, the document could identify the heavily provider based nature of the Task Force. Further, in lieu of “other interested organizations” the report could state “other interested organizations, mostly representing providers”. For example, I do not think any business organizations were represented.

Page 2: The fifth bullet: I suggest the phrase “do not require a partial rate review” be changed. After all, AAMC did not require a partial rate review. I suggest “for which the hospital agrees to not file a partial rate application for capital”. This is much different than the pledge. It allows for full rate applications and for the costs to be included in any future Commission analysis – just not a project associated rate increase.

Page 7: The two references to “debt service” in the middle paragraph should be replaced with “capital cost”. Debt service is principle + interest. The HSCRC currently bases rates on capital cost, which is depreciation + interest + capital leases.

Page 9: The top line references an “Acute Care Hospital Work Group”. The Report should note what I believe was the all provider nature of this Work Group and the Commission’s intension that future Work Groups will be more broadly representative.

Page 12: Please change “by” at the end of the third line after “Task Force Recommendations” to “be”.

I believe the rest of the recommendations, with the exception of the discussion of the 140% rule, follow the current recommendations of the Task Force. While CareFirst and Kaiser Permanente support many of the recommendations, we are sorry that the Task Force did not recommend elimination of CON for OB or hospice and did not recommend the addition of a CON chapter on Emergency Room Services. We also note that several aspects of the acute care need methodology other than the 140% rule should be reviewed with input from a much more broadly representative group than the prior Acute Care Hospital Work Group.

I thank the Commission for the opportunity to participate in this process.